

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

APR 26 2001

Michael N. Milby, Clerk of Court

In re:

DRYPERS CORPORATION

Debtor

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CASE NO. 00-39360-H4-11

**AGREED ORDER GRANTING DEBTOR'S MOTION FOR AUTHORITY TO USE
CASH COLLATERAL RELATING TO ALLEGED REJECTION DAMAGE
CLAIM OF FLEET CAPITAL CORPORATION**

The Court has considered the Motion for Authority to Use Cash Collateral Relating to Alleged Rejection Damage Claim of Fleet Capital Corporation (the "Motion") filed by Drypers Corporation ("Drypers" or the "Debtor"). The Court makes the following findings of fact and conclusions of law:

1. Notice of the Motion is adequate and sufficient.
2. Drypers is a party to a Master Agreement with Banc Boston Leasing, Inc. ("Banc Boston"), dated January 11, 1999 (the "Master Agreement"), and certain related lease schedules, including Equipment Lease Schedule No. 34287-00004 dated August 31, 2000 ("Lease Schedule No. 4"). A copy of Lease Schedule No. 4 is attached as Exhibit 1 to the Motion. Lease Schedule No. 4 provides for the lease of certain equipment by Drypers and incorporates the terms and conditions of the Master Agreement.
3. Fleet Capital Corporation ("Fleet") is a pre-petition and post-petition secured lender in this case. After a December 2000 merger with Banc Boston, Fleet asserts that it is the lessor under the Master Agreement and Lease Schedule No. 4.
4. By separate Motion, Drypers has assumed and assigned the other lease schedules that incorporate the terms of the Master Agreement. Citing its pre-petition loan and security agreements

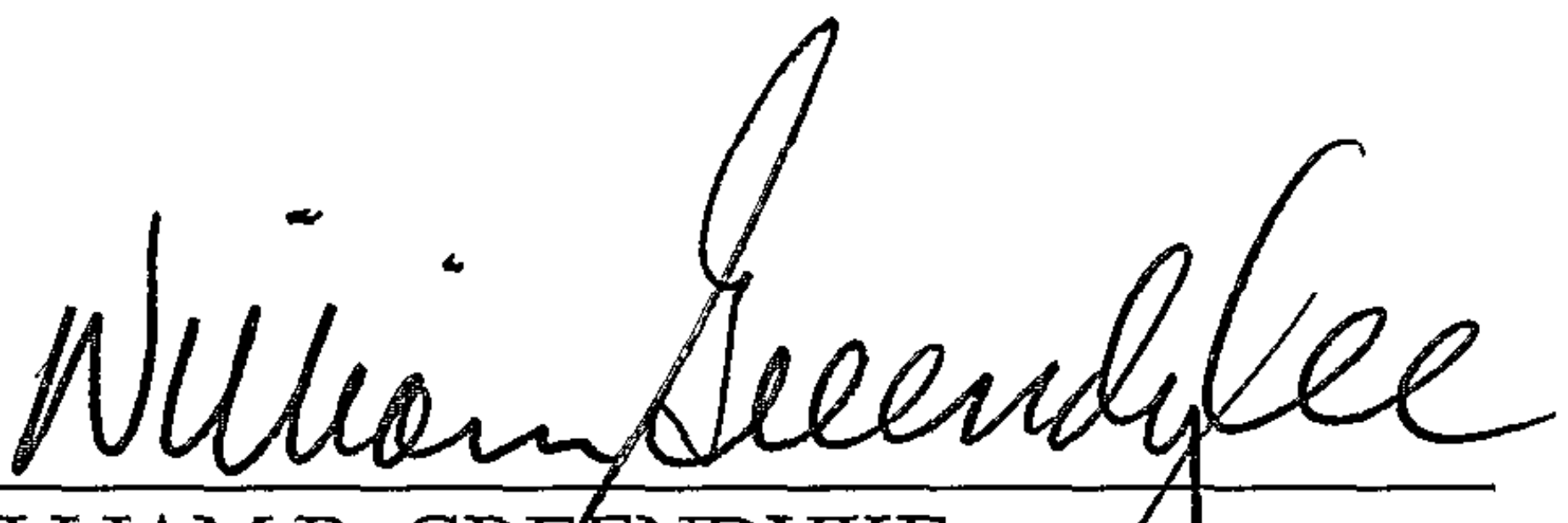
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with Drypers, Fleet contends that any rejection damage claim it asserts under Lease Schedule No. 4 is a secured claim, and that the proceeds from the sale of the Debtor's assets ("Sales Proceeds") constitute Fleet's cash collateral. The Debtor and the Unsecured Creditors Committee (the "Committee") dispute Fleet's contention, arguing that any rejection damage claim Fleet asserts under Lease Schedule No. 4 is merely an unsecured claim. Further, the Debtor and the Committee believe that the Sales Proceeds do not constitute Fleet's cash collateral.

5. Fleet does not oppose the Debtor's use of the Sales Proceeds in accordance with prior orders of this Court and the Bankruptcy Code.


Based on the foregoing findings of fact and conclusions of law, it is ORDERED that the Debtor may use Sales Proceeds in accordance with prior orders of this Court and the Bankruptcy Code. The Debtor, the Committee and Fleet reserve all of their rights regarding the disputes that are described in the Motion.

DATED: 4/25, 2001


WILLIAM R. GREENDYKE
UNITED STATES BANKRUPTCY JUDGE

AGREED:

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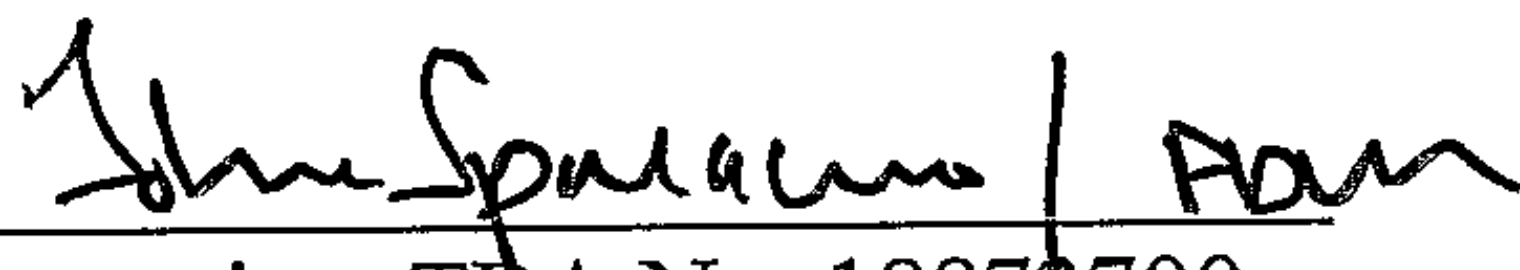
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